

WORK FORCE RESTRUCTURING PLAN

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**U. S. Department of Energy
Albuquerque Operations Office**

For

Los Alamos National Laboratory

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INTRODUCTION

This report on work force restructuring at Los Alamos National Laboratory (LANL) is submitted by the Department of Energy Albuquerque Operations Office to describe actions taken in the spirit of the requirements of section 3161 of the National Defense Authorization Act for Fiscal Year 1993 (Public Law 102-484).

LANL is operated by the University of California (UC) under contract with the Department of Energy (Contract No. W-7405-ENG-36). LANL applies world class science and technology to the nation's broadly-based defense, nuclear weapons, energy, environmental, and other scientific programs.

The restructuring described herein was developed using the consultation process described in section 3161 of the National Defense Authorization Act for Fiscal Year 1993 and general guidelines provided by the Headquarters Task Force on Worker and Community Transition.

SUMMARY

Since September 1991, or the end of the Cold War as recognized by the Department of Energy (DOE), it has become apparent that the funding levels for the nation's defense-related programs would be reduced. Because defense-related programs constitute most of Los Alamos National

Laboratory's (LANL) funding, it became apparent the DOE defense funding reduction would affect LANL and could result in a downsizing of the existing work force. To mitigate the effects of the reduced defense funding and potential impact to the employees and the community, LANL management began examining the way they conduct business.

LANL and DOE are strongly committed to President Clinton's and Vice President Gore's efforts to reinvent our government. LANL's business processes are being re-engineered to increase productivity and to reduce cost. The goal is to minimize the bureaucracy and increase responsiveness. There is also a commitment to continuously improve everything the Laboratory undertakes.

Efforts were begun in Fiscal Year 1994 (FY '94) to reduce costs and to minimize the effects of the anticipated reduced funding for FY '95, while retaining a work force with the skills necessary to fulfill the LANL mission.

In FY '94, several processes were re-engineered to provide cost-effective operations, such as reducing signatures for approvals, streamlining work order and some procurement processes and revamping the performance-based appraisal system. The organization was restructured and one entire management layer was eliminated resulting in a flatter and more efficient organization, and a cost savings of approximately \$11 million.

Additionally, to minimize the cost reduction impacts to the employees and to the community, the following steps were taken:

- ! hiring was controlled through external allocations,
- ! employees were transferred into vacancies when reasonable skill matches existed,
- ! employees were retrained to meet future needs through a self-managed career development effort.

Lastly, during FY '94 a voluntary early retirement incentive program was offered in which 838 employees participated. Since a great majority of the jobs vacated by these employees have gone, and will go unfilled, substantial cost savings will be realized.

Hiring will continue to be limited, internal transfers facilitated, and opportunities provided for the current work force to develop or to enhance skills in core competency areas to mitigate the reduced funding impact. Even with the cost savings measures initiated in FY '94, another restructuring of the work force became necessary in FY '95.

Initial FY '95 budget estimates for LANL indicated that funding would be approximately \$69 million less than FY '94. LANL decided to mitigate some of the effect of the funding reduction through subcontracting non-core competency functions. Following the Department of Energy's Contract Reform Guidelines, LANL determined that subcontracting (buying) its food service operations would improve the level of service at a reduced cost.

! LANL Food Service Operations Subcontracting

This work force restructuring will result in an estimated total cost savings of \$3.6M over the total term (5 years) of the subcontract and impact 23 employees. This estimate is based on projected annual sales revenue of \$2.3M, straight-lined for the five (5) year period. The restructuring was publicly announced on August 29, 1994. An announcement was released to the local media indicating that the LANL Cafeteria Services would be contracted out, (Appendix A). The affected employees were notified separately and made aware that they would be offered employment by the successful contract bidder (subcontractor). Specific individual reduction-in-force notifications were issued November 4, 1994, with separation occurring January 3, 1995.

The Department of Energy committed to receiving input from stakeholders and carefully considered applicable comments regarding the effect of LANL's food service operations subcontracting. Copies of the DOE August 29, 1994, announcement (Appendix A) were sent to the stakeholders collectively identified by DOE and LANL. Copies of the announcement and the plan were made available to the public through the Los Alamos Public Library; Espanola Public Library; Santa Fe Public Library; LANL Research Library, Oppenheimer Study Center and by calling the DOE Los Alamos Area Office (LAAO). Initially, interested stakeholders were given 14 calendar days to send their comments to DOE-LAAO. At the request of stakeholders, the comment period was extended to September 30, 1994. One comment was received and is at Appendix B. Because this subcontracting effort was small and little interest was generated, it was determined that a public meeting or national stakeholders meeting would not be held.

Under the terms of the food service contract, employment and medical benefits were offered to affected employees by the subcontractor. In order to minimize the impact on affected employees, severance pay and pay in lieu of notice were offered.

Because this affected employee population was small, 23 out of a work force of 7,616, and because employment was offered by the subcontractor, an early retirement incentive program was not offered. An early retirement incentive was offered in FY '94, and the food service employees who qualified for a retirement incentive were also eligible in FY '94 and could have elected to retire at that time. It was announced at the time of the FY '94 retirement incentive that there would be no more UC/LANL retirement incentive programs in the foreseeable future. These were all taken into consideration when determining that an early retirement program would not be offered.

Throughout the work force restructuring process, the Contractor maintained compliance with applicable Equal Employment Opportunity laws and related DOE directives. Furthermore, every effort was made to ensure that any required involuntary reduction-in-force was implemented in a manner consistent with fair and equal treatment of all employees.

OBJECTIVES

The objectives of this work force restructuring at Los Alamos National Laboratory (LANL) were:

- ! to mitigate the impact on affected workers, the community, and LANL; and

- ! to retain a work force with the skills necessary to continue the mission of applying world class science and technology to the Department of Energy's programs.

FUNDING AND WORK FORCE PLANNING

LANL supports DOE's goals by applying world-class science and technology to the maintenance of the nation's security and well-being. LANL will continue its role in defense, particularly in nuclear weapons technology, and will increasingly use its multidisciplinary capabilities to solve important civilian problems.

The National Competitiveness and Technology Transfer Act of 1989 specifically includes technology transfer activities in the mission of LANL. By forging partnerships with U.S. industry, the DOE and LANL help maintain the technological leadership of the industrial economy, ensuring competitive strength and meeting national needs in defense and civilian areas.

Meeting these emerging realities requires a work force with skills in the necessary technical competencies. An integral part of the work force planning for restructuring involved examining the required work force skills and capabilities needed for the future mission of LANL.

DOE is LANL's principal source of funding, with defense-related programs accounting for most of the funding. Additional funds come from energy and research programs/projects sponsors and funding comes from several other sources to support scientific research programs.

At the time of this restructuring, an approximate \$69 million reduction in funding was anticipated for FY '95. Additionally, DOE requested each site to submit proposed reductions to indirect equivalent to 5% of the total FY '95 site costs. For LANL, a 5% total site reduction to indirect meant an additional FY '95 reduction of \$50 million.

This restructuring effort will result in an estimated total cost savings to LANL of \$3.6M over the 5 year term of the subcontract. This action followed the DOE system-wide Contract Reform Act efforts, and it was determined to be more cost effective to subcontract (buy) food services. Refer to Figure 1 for more details about the anticipated savings associated with subcontracting the food services function.

Previously, the Laboratory's food services operation was performed by approximately 73 personnel of whom 50 were subcontractor employees and 23 were LANL employees. Because of rising costs, the food services function was estimated to have a budget overrun for FY '94 of at least \$300K. Anticipating that the function would be subcontracted, no FY '95 budget was forecasted for the LANL food services operation, resulting in a FY '95 budget overrun for food services commencing October 1, 1994.

FIGURE 1. Cost Savings

Contracting Out Food Services Total Cost Savings for 5-Year Term of Contract	
Performance	Approximate

SEPARATION PROGRAM

Subcontracting the food service operations was planned so that the transition would occur with minimal disruption on the date the subcontractor assumed responsibility, October 31, 1994. Every effort was made to ensure that the transition would be successful.

To minimize the number of affected employees who could be left without jobs, employment was offered to the eligible affected food service employees by the subcontractor soon after the successful bidder announcement on September 29, 1994. The 60-day notification of involuntary reduction-in-force was made on November 4, 1994, with separation occurring January 3, 1995. Most of the affected food service employees accepted employment with the subcontractor.

The LANL separation program consisted of "right-of-first-refusal" of subcontractor employment, severance pay, pay in lieu of 60 calendar days notice (42 paid days), and for those employees who rejected subcontractor employment and who did not otherwise have medical coverage, extended medical benefits coverage. In addition, each affected employee was offered internal placement assistance by LANL personnel.

! Employment - "Right of First Refusal"

All eligible affected food service employees were offered employment by the subcontractor. The affected employees had "right of first refusal" consistent with RFP 3535DOO13-K1, Food Support Services, Article 14:

ARTICLE 14 RIGHT OF FIRST REFUSAL OF EMPLOYMENT

- (A) The Subcontractor shall give the University (LANL) employees who have been or will be adversely affected or separated as a result of award of this subcontract the right of first refusal of employment openings under the subcontract for positions for which they are qualified.
- (B) Within ten (10) days after subcontract effective date, the LANL Contract Administrator will provide the Subcontractor a list of all University (LANL) employees who have been or will be adversely affected or separated as a result of the award of the Subcontract.

The subcontractor employment offers had an economic impact on the affected employees. As specified in the contract, the subcontractor's wages met or exceeded the U.S. Department of Labor, Employment Standards Administration, Wage and Hour Division's minimum hourly wage listed for the appropriate occupation title and code. While the subcontractor complied with the above requirement, the wages and salaries were be less than the affected employees' LANL salaries.

Figure 2 shows the LANL average hourly rate compared to the subcontractor average hourly rate by job title for 20 of the 23 jobs impacted.

FIGURE 2. Rate Comparison

# of affected	Job	LANL	Subcontractor.....	%
LANL	Title	Average.....	Average.....	Differences
Four employees were terminated from the laboratory. Due to the fact that they rejected subcontractor employment offers and were unsuccessful in securing transfers internal to LANL.				
1	Dep. Grp. Ldr	23.63	15.38.....	34.9
! <u>Severance Package</u>				

All affected employees who terminated Laboratory employment received severance pay as specified in LANL/UC contract with DOE. **The cost of this severance package for the affected food service employees was \$93,840.** Refer to Figure 3 for LANL's severance pay service and allowance schedule.

By paying these severance costs to the affected food service employees, subcontracting cost savings are reduced by \$93,840. These costs could also adversely affect LANL's long-term cost savings and therefore impact the remaining workforce.

FIGURE 3. LANL Severance Schedules

Severance Schedule A (Employed <i>prior</i> to October 1, 1987)	
Length of Service Severance Allowance	
Less than 1.5 years	1 week's pay
Severance Schedule B (Employed <i>after</i> October 1, 1987)	
Length of Service Severance Allowance	
Notes: <ol style="list-style-type: none"> 1. The employee's pay status (full-time or part-time) at the time of termination determines the percentage of time applicable to the severance allowance. 2. A severance payment terminates any employment agreement. 3. The employee has no re-employment (recall) rights. 	

! Pay in Lieu of Notice

On November 4, 1994, reduction-in-force (RIF) notices were issued to all affected employees who had not secured a transfer internal to LANL.

It is the contractor's policy to notify affected employees 60 calendar days before involuntary separation through reduction-in-force. In this case, the RIF notifications contained statements that:

- the employee was selected for RIF as a result of funding difficulties, other business considerations, and the DOE and LANL joint strategic planning decision to maintain core competency capabilities and skills.
- the employee will be terminated 60 calendar days from the date of notification unless the employee locates another position within LANL.
- the employee will receive a severance payment in accordance with LANL policy upon termination.
- January 3, 1995, pay in lieu of notice will be granted for the work days remaining in the 60 calendar day notice period.

For those employees who terminated LANL employment upon or after receiving the reduction-in-force notice issued on November 4, 1994, LANL paid their salaries for the work days remaining in the 60 calendar day notice period (maximum of 42 paid days). This incentive allowed for an efficient transition of personnel to the subcontractor and served to mitigate the impact on the affected employees, the subcontractor, and LANL. Eight employees terminated prior to the expiration of the 60-day notice period. **The cost for pay in lieu of notice for those eight employees was \$27,328.** These payments reduce the estimated cost savings for the outsourcing.

! Continued Medical Coverage

The DOE has made available to DOE M&O contractors the Displaced Workers Health Coverage. These extended medical benefits are provided to employees who terminate involuntarily and who do not have such coverage through a spouse's health insurance plan or through a new employer. Under this program, the contractor would continue to pay its portion of the former employee's medical insurance premium, and the former employee will pay his/her normal share the first year following termination. During the second year, the contractor would pay half of the COBRA rate and the former employee will pay the balance. During the third and following years, the former employee will pay the full COBRA rate.

UC has determined that any extension of medical benefits over and above COBRA coverage is unacceptable because of the precedent it could set in the UC system. Therefore, the DOE Displaced Worker Medical Benefits coverage was not available to affected food service employees. Terminated employees were eligible to enroll in and receive COBRA coverage; however, no employees made such an election.

! **Support Services Provided by LANL to RIF Notified Employees**

- A Staffing Representative from the LANL Staffing Group was assigned to each RIF candidate to provide employment assistance.
- Secretarial support for résumé preparation was provided by the candidate's organizations.
- A contact from within the food services operation was assigned to keep in touch with RIF candidates from the organization during the notification period. The contact's role was to direct questions to the appropriate resources, ensure the availability of division/program support services, provide care and concern, and help alert LANL counselors to potentially critical situations.
- Information was distributed to RIF candidates including general guidance about LANL benefits, unemployment claims, where to find information about jobs both internal and external to the Laboratory, and who to contact for counseling and support.
- LANL counselors were available to provide assistance as needed. RIF candidates were assigned to individual counselors and encouraged to contact them for assistance.
- An Employment Resource Center was provided by the Staffing Group. Copies of current newspapers and journals listing vacancies throughout the country as well as listings of LANL openings were available for review by RIF candidates. Staff was also available to provide assistance.
- **Skills Enhancement Training (SET) Program: Focus on Rapid Redeployment**

During a downsizing or restructuring exercise that takes place over a limited time period, a focused retraining program is needed to promote the rapid redeployment of employees whose positions are at risk. The Skills Enhancement Training (SET) Program was designed with this purpose in mind. The SET Program provides a mechanism for obtaining support for developing and strengthening the existing skills of eligible employees who do not fully meet bona fide job requirements (BFJR) but who, through reasonable training, could meet the BFJR and perform the job. Reasonable training is defined as training that allows the employee to obtain the requisite skills and knowledge within a maximum 12-month training period.

LANL regular full- and part-time employees who receive a RIF notification or written notification that their positions are at-risk are eligible to participate in the SET Program. Individuals who have already been terminated are not eligible to participate in the SET program. LANL organizations with advertised vacancies review the applications of RIF-notified or at-risk employees who applied for job openings. Organizations with unadvertised vacancies are also encouraged to review the applications of at-risk employees. If the hiring official finds an eligible employee who is a reasonable match but does not fully meet the BFJR, the hiring official may consider using SET to enable the transfer. Preference is given to at-risk employees over best-qualified candidates identified

through a competitive process. However, if the applicant pool contains more than one at-risk employee, the best-qualified at-risk employee (i.e. the at-risk employee who most closely met the BFJR) is selected for the SET program.

Retraining funds for SET are provided by LANL organizations that have issued RIF notices or have placed employees at-risk. Organizations are committed to provide up to what they would have paid in severance charges had their employees been involuntarily separated. Retraining funds generated from the losing organizations cover costs of appropriate classes and course work and necessary on-the-job training time. The SET funding and LANL directed-transfer hiring process are incentives for organizations with growing programs to take on at-risk individuals. Any LANL employee who accepts a position and is approved for retraining funds through the SET program is ineligible to apply for other vacancies until completion of one-half of the approved training period or for 6 months, whichever is longer. The maximum retraining period is 12 months and costs cannot exceed severance costs that would have been assessed to the losing organization.

Only one affected food service worker participated in the SET program at a cost of \$3,000.

- **Other Redeployment Tools:**

- Resumix -

RESUMIX is a software tool that uses artificial intelligence in combination with imaging tools to provide an integrated approach to resume processing; storage, retrieval, and tracking of specific information about either an applicant or a requisition; and matching of applicant skills against job vacancies. Resumix has been designed to use the vocabulary relevant to an employer's business and environment while automating the matching of applicant skills against skills required by open job requisitions.

The other two UC-managed laboratories (Lawrence Livermore and Lawrence Berkeley) and Sandia have also purchased the Resumix system. The three UC labs and Sandia have formed a working group to further enrich the working vocabulary in Resumix to better meet their needs.

With Resumix, it is possible to enter job advertisements from outside organizations and then match the skills of individuals affected by restructuring against these jobs to assist in out-placement efforts. When Resumix is fully operational at the three UC labs and Sandia, these organizations will be able to share data from their respective systems. For example, they will be able to search each other's job requisitions for external redeployment purposes or search each others' resumes when looking for an applicant with hard-to-find skills.

Resumix is used for redeployment arising from work force restructuring as well as for handling the conventional staffing process. This system helps to mitigate the impact of layoffs by matching skills to open jobs internally and at other DOE sites.

PREFERENCE IN HIRING AND OUTPLACEMENT

Preference in Hiring

For this subcontracting effort, the eligible affected food service employees were offered employment by the subcontractor, as previously discussed. The DOE JOBBS system is available at the DOE-LAO or LANL Staffing Group. JOBBS is designed to expedite redeployment among DOE sites and is available to employees affected by work force restructuring.

Another post-termination benefit available to the LANL employees who were involuntarily separated through reduction-in-force, is that for 9 months after termination, they can apply for and be considered for vacancies that are open only to internal LANL employees.

! Outplacement

LANL employees notified of involuntary reduction-in-force (RIF) were offered outplacement assistance. Right Associates, Inc., a national management consulting firm, has been retained to provide RIF-notified employees guidance for entering the external job market. Their seminars are designed to give participants a competitive edge in the market place by focusing on developing effective job search techniques. Emphasis is placed on researching the hidden market, where a large portion of the available jobs lie. Development of the whole person is stressed, including personality and accomplishment analysis, career objective development, resume preparation, marketing techniques, and effective interviewing and negotiating techniques. Through both group and individual sessions, the program is designed to increase the participants' likelihood of external placement by matching the individuals' professional strengths to the identified needs of prospective employers. Right Associates provide training to the managers/supervisors who notify the affected employees that they have been identified for reduction-in-force. Training sessions for the affected employees are provided using small groups to ensure individual attention to affected employees. **For this work force restructuring effort, the outplacement costs were approximately \$2400, and will reduce the subcontracting cost savings by that amount.**

RETRAINING

Retraining Core Competency Focus

LANL plans to contribute vital components to each of the 11 core competencies DOE has identified for its laboratory complex. All retraining programs and initiatives focus on the skills and capabilities needed for the core competencies. Integrating LANL's capabilities in research and development activities to solve complex problems is the fundamental basis of LANL's competencies.

LANL retraining focuses on a formalized, long-term organizational effort to redirect a portion of its work force to gain knowledge and skills to transfer and work on new projects and LANL directions.

Employees who did not accept a position with the subcontractor and who separated from LANL on January 3, 1995, were eligible for tuition assistance up to \$2,500 a year for 4 years based upon satisfactory course completion. No one took advantage of this opportunity; consequently, there were no tuition assistance costs associated with this restructuring.

STAKEHOLDER NOTIFICATION AND INVOLVEMENT

LANL Work Force Restructuring

On August 29, 1994, DOE announced the plan to subcontract the food service operation as a means of reducing costs and the potential effect of the work force restructuring at LANL. The food service operation subcontracting initiative is a result of a cost-reduction study that determined it would be more cost effective to subcontract the LANL food services. The cost savings are estimated at \$3.6M and affect 23 food service employees.

The announcement was mailed to stakeholders identified collectively by DOE and LANL. Additionally, a copy of the announcement and the Plan were made available to the public through Los Alamos Public Library; Espanola Public Library; Santa Fe Public Library; LANL Research Library, Oppenheimer Study Center; or by calling DOE/LAAO. Stakeholder input to this Plan was requested and is attached.

Economic Impact

LANL, with membership on the Northern New Mexico Defense Adjustment Task Force, will continue to work with this Task Force to receive input and to work with the community stakeholders to minimize the impact of LANL funding reductions and subsequent restructuring actions.

COSTS

Subcontracting LANL Food Services

Below are the costs for involuntary reduction-in-force actions.

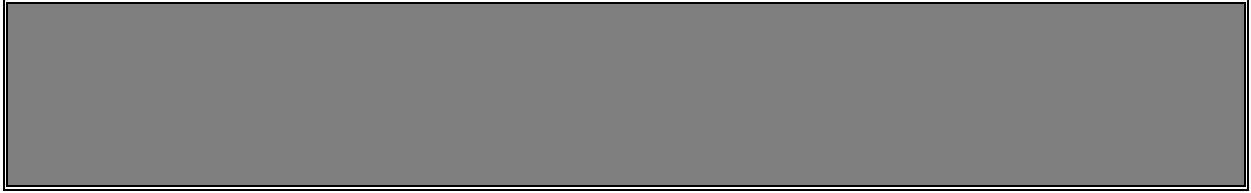
Actions	Separation Costs
Severance Pay	\$ 93,840
Pay in Lieu of Notice	\$ 27,328
Outplacement	\$ 2,400
Retraining (SET)	\$ 3,000
TOTAL	\$126,568

COST TOTAL FOOD SERVICE SUBCONTRACTING = \$126,568.

CONCLUSION

LANL is operating in a drastically changed environment and is following in the footsteps of corporate America in restructuring itself to meet future challenges. LANL is increasingly shifting program priorities toward the Nation's domestic and economic problems and is dramatically changing the way it does business to increase productivity and reduce costs. A goal of the restructuring effort is to become a more competitive and responsive organization with a major objective to reduce the cost of doing business and increase productivity. These efforts will help reduce the necessity for layoffs in the future.

**APPENDIX A - DOE AUGUST 29, 1994 - LANL WORK FORCE RESTRUCTURING
ANNOUNCEMENT**



**APPENDIX B - COMMENT ON SUBCONTRACTING LANL CAFETERIA
OPERATIONS**

